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**The On-Sale Bar and the New UCC Article 2: Arguments for  
Defining a Commercial Offer for Sale Pursuant to the United  
Nations Convention on Contracts for the International Sale of  
Goods**

*Matt Jamison*<sup>1</sup>

**I. Introduction**

In today's global economy, it is not unlikely that an entrepreneurial inventor may work in the United States and service customers from around the world. Such an inventor is faced with an assortment of international legal concerns including shipping, tariffs, and customs. Additionally, such an inventor would have to manage the concerns that surround the patenting process: filing, novelty, usefulness, and the on-sale bar, to name a few. What happens when contracts for sale are formed with foreign customers? What happens when domestic patent law runs squarely into a product that is marketed and sold not only in the United States, but around the world? What source of law should be consulted to determine the body of law that governs when domestic law overlaps with international customs or treaties?

The modern inventor is compelled to create innovative products, generate a market for those products, and protect those products with a patent. The choice to file a patent application reflects an inventor's desire to protect her private interest in controlling a limited monopoly over the invention, subject to the statutes governing patents. Section 102 of the 1952 Patent Act<sup>2</sup> attempts to balance such private interests with the goal of increasing the pool of public knowledge. Specifically, § 102 states "[a] person shall be entitled to a patent unless . . . the invention was . . . on sale in this country, more than one year prior to the date of the application for patent in the United States." This particular

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<sup>2</sup> 35 U.S.C. § 102(b) (2004).

provision of the Patent Act is known as the “on-sale bar.” The Supreme Court in *Pfaff v. Wells Electronics, Inc.*<sup>3</sup> stated that the critical date for the on-sale bar is triggered when the invention is both ready for patenting and the “subject of a commercial offer for sale.”<sup>4</sup> Appearing simple on its surface, § 102 can be the source of deep and complex inquiry into what actions constitute a “commercial offer for sale.”<sup>5</sup> In 2001, the Court of Appeals for the Federal Circuit (“Federal Circuit”) attempted to simplify this inquiry by holding that courts should look to Article 2 of the Uniform Commercial Code (“UCC”) to determine whether a commercial offer for sale has occurred.<sup>6</sup>

On May 13, 2003, the American Law Institute (“ALI”), authors of the UCC, finalized its revisions of UCC Article 2.<sup>7</sup> Faced with two versions of Article 2, the Federal Circuit eventually will be forced to decide whether to rely on the new version of Article 2 or continue to use the older version of Article 2. This comment will argue that instead of relying on either version of Article 2, the Federal Circuit should look to the United Nations Convention on Contracts for the International Sale of Goods (“CISG”)<sup>8</sup> to determine whether a commercial offer for sale has occurred in actions under § 102(b).

## II. Development of § 102(b) On-Sale Bar Interpretation

The on-sale bar is essentially a one-year statute of limitations for filing a patent application.<sup>9</sup> Once an inventor offers an invention for sale within the United States, the inventor has one year to file the patent.<sup>10</sup> After the year expires, the United States

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<sup>3</sup> 525 U.S. 55 (1998).

<sup>4</sup> *Id.* at 67.

<sup>5</sup> *Id.*

<sup>6</sup> See *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1047 (Fed. Cir. 2001).

<sup>7</sup> See Uniform Law Commissioners, *Work Concludes on Uniform Commercial Code Articles 2 and 2A*, at <http://www.nccusl.org/nccusl/DesktopModules/NewsDisplay.aspx?ItemID=51> (May 14, 2003) [hereinafter ULC] (on file with the North Carolina Journal of Law & Technology).

<sup>8</sup> United Nations Convention on Contracts for the International Sale of Goods, U.N. Doc. A/CONF.9 7/18 (1980) [hereinafter CISG].

Patent and Trademark Office will not issue a patent for the invention.<sup>11</sup> Thus, § 102(b) indicates that there are two critical analyses to be performed: (1) whether an inventor has offered an invention for sale in this country and (2) whether the offer for sale occurred more than one year prior to the filing of the patent.<sup>12</sup> As a result, in on-sale bar actions the Federal Circuit must frequently examine the nature of an inventor's actions more than one year prior to the filing date to determine if the actions rise to the level of an offer for sale.

Since the formation of the Federal Circuit, the Supreme Court has rarely granted certiorari to a case involving a substantive patent issue, leaving the Federal Circuit with almost exclusive jurisdiction over substantive patent issues.<sup>13</sup> As a result, the Federal Circuit has established itself as the "preeminen[t] [court] in the patent community"<sup>14</sup> and perhaps the "world's most influential patents court."<sup>15</sup> Accordingly, when the Supreme Court granted certiorari in *Pfaff*, some commentators interpreted the Court's action as a managerial maneuver to provide more oversight to Federal Circuit decisions regarding substantive patent law.<sup>16</sup>

Before *Pfaff*, the Federal Circuit's interpretation of § 102(b) had evolved into a "totality of the circumstances" test to determine whether a particular set of actions constituted an offer for sale sufficient to trigger the § 102(b) statute of limitations.<sup>17</sup>

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<sup>9</sup> See 35 U.S.C. § 102(b) (2004).

<sup>10</sup> See *id.*

<sup>11</sup> See *id.*

<sup>12</sup> See *id.*

<sup>13</sup> Following the creation of the Federal Circuit in 1982, the Supreme Court has granted certiorari to only three cases that address substantive patent issues. See Mark D. Janis, *Patent Law in the Age of the Invisible Supreme Court*, 2001 U. ILL. L. REV. 387, 388 n.2 (2001). Some commentators have noted that the Supreme Court's notable absence in discerning substantive patent law has allowed the Federal Circuit to "anoint itself a de facto court of last resort in patents." *Id.* at 402.

<sup>14</sup> Janis, *supra* note 13, at 404.

<sup>15</sup> *Id.*

<sup>16</sup> *Id.* at 409–11.

<sup>17</sup> See *UMC Elecs. Co. v. United States*, 816 F.2d 647, 653 (Fed. Cir. 1987) (citing *W. Marine Elecs., Inc. v. Furuno Elec. Co.*, 764 F.2d 840 (Fed. Cir. 1985)). Courts often weighed the level of completion of the invention, or the

The test included an assessment of whether the invention had been reduced to practice or what level of completion the invention had attained when commercial sale activities were commenced.<sup>18</sup>

Thus, when the Federal Circuit decided *Pfaff*, it applied the well-established totality of the circumstances test.<sup>19</sup> The Supreme Court reversed, stating the invention's relative level of completion may be informative but is not determinative of whether the on-sale bar has been triggered.<sup>20</sup> The Supreme Court established the current two-part test requiring that the invention be both "the subject of a

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"on hand" test, as heavily as the activities surrounding the actual offer for sale or "on-sale activities" when determining § 102(b) cases. See *McCreery Eng'g Co. v. Mass. Fan Co.*, 195 F. 498 (1st Cir. 1917). Later, the Second Circuit established a new three-part test for determining whether the on-sale bar was triggered by the inventor's activities. See *Timely Prods. Corp. v. Arron*, 523 F.2d 288, 302 (2d Cir. 1975).

<sup>18</sup> See, e.g., *Timely Prods.*, 523 F.2d at 302. Reduction to practice is a term of art among patent practitioners and refers to the legal determination that an invention has both a physical embodiment as well as the ability to achieve its intended purpose. Commentators note that several factors are considered when determining if an invention has been reduced to practice, including whether there is a physical or tangible embodiment, whether the physical embodiment includes each feature claimed in the patent, the practicability or utility to an individual skilled in the pertinent art, and whether the inventor understands that the invention has been reduced to practice. See William C. Rooklidge & W. Gerhard von Hoffman, III, *Reduction to Practice, Experimental Use, and the "On Sale" and "Public Use" Bars to Patentability*, 63 ST. JOHN'S L. REV. 1, 7-8 (1988) (citing 1 C. RIVISE & A. CAESAR, *INTERFERENCE LAW AND PRACTICE* § 132 (1940)).

<sup>19</sup> See *Pfaff v. Wells Elecs. Inc.*, 124 F.3d 1429, 1433 (Fed. Cir. 1997) ("[I]n making the determination as to whether the invention was 'on sale,' '[a]ll of the circumstances surrounding the sale or offer to sell, including the stage of development of the invention and the nature of the invention, must be considered and weighed against the policies underlying section 102(b).'" (quoting *Micro Chem., Inc. v. Great Plains Chem. Co.*, 103 F.3d 1538, 1544 (Fed. Cir. 1997))).

<sup>20</sup> See *Pfaff v. Wells Elecs. Inc.*, 525 U.S. 55, 60 ("The primary meaning of the word 'invention' in the Patent Act unquestionably refers to the inventor's conception rather than to a physical embodiment of that idea. The statute does not contain any express requirement that an invention must be reduced to practice before it can be patented.").

commercial offer for sale” and “ready for patenting” before the on-sale bar’s critical date.<sup>21</sup>

While the new standard was relatively easy to apply to the facts in *Pfaff*,<sup>22</sup> this standard was indefinite and provided no guidance to the lower courts as to exactly what would constitute a commercial offer for sale.<sup>23</sup> However, the Federal Circuit provided guidance in 2001 in *Group One, Ltd. v. Hallmark Cards, Inc.*,<sup>24</sup> pointing out that *Pfaff* “suggest[ed] that the offer must meet the level of an offer in the contract sense.”<sup>25</sup> *Group One* held that courts applying § 102(b) should “look to the Uniform Commercial Code (‘UCC’) to define whether, as in this case, a communication or series of communications rises to the level of a commercial offer for sale.”<sup>26</sup>

The Federal Circuit explained its election to use the UCC, stating that the UCC is widely accepted as the “general law governing the sale of goods.”<sup>27</sup> However, the Federal Circuit also recognized that while the UCC is a “useful” tool in determining whether certain communications rise to the level of a commercial

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<sup>21</sup> *Id.* at 67.

<sup>22</sup> The Supreme Court explained that the circumstances in *Pfaff* made it easy to determine that the § 102(b) bar had been triggered because the inventor’s activities fulfilled the “on-sale” and “ready for patenting” requirements of the test. First, the inventor had accepted a purchase order for his invention, a clear indication that a commercial offer for sale had been made. Second, the inventor had sent drawings to the purchaser that fully disclosed the invention, an activity that, while insufficient to indicate reduction to practice, was affirmative proof that “the inventor had prepared drawings or other descriptions of the invention that were sufficiently specific to enable a person skilled in the art to practice the invention.” *Id.*

<sup>23</sup> See *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1047 (Fed. Cir. 2001) (“[T]he [Supreme] Court did not elaborate on what was meant by ‘a commercial offer for sale.’”); see also Isabelle R. McAndrews, *The On-Sale Bar After Pfaff v. Wells Electronics: Toward a Bright-Line Rule*, 81 J. PAT. & TRADEMARK OFF. SOC’Y 155, 161–64 (outlining the ambiguity inherent in the Supreme Court’s test, as opposed to the former “totality of the circumstances test”).

<sup>24</sup> 254 F.3d 1041 (Fed. Cir. 2001).

<sup>25</sup> *Id.* at 1046; see also Susan Knoll & Jon Pierce, *Prior Art Under 35 U.S.C. § 102(b)*, 756 PLI/PAT 11, 14–16 (2003).

<sup>26</sup> *Group One*, 254 F.3d at 1047.

<sup>27</sup> *Id.*

offer for sale, it is not an “authoritative” source.<sup>28</sup> The court’s reservation in the *Group One* holding opened the door for federal district courts to look to other sources for aid in judging commercial sale activities.<sup>29</sup> The actions of the district courts, combined with the Federal Circuit’s hesitancy to declare the UCC the unequivocal authority regarding what constitutes a commercial offer for sale, indicates some uncertainty as to whether the UCC will or should remain the standard. This uncertainty, when coupled with the recent release of a new version of UCC Article 2, creates an ideal opportunity to consider implementing the clearer standard found in the CISG.

### III. Which UCC Article 2?

As the Federal Circuit was deciding to look to the UCC in *Group One*, the ALI was simultaneously preparing amendments and revisions to UCC Article 2. Thus, as the Federal Circuit was indicating that the UCC would be considered a “useful” tool for evaluating whether certain communications rise to the level of a commercial offer for sale,<sup>30</sup> the ALI was already amending the very document that it was relying upon. In retrospect, the timing of these two events had the ironic effect of creating the possibility of even greater uncertainty in an area that the Federal Circuit sought to clarify.

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<sup>28</sup> *Id.* at 1047–48. Subsequent Federal Circuit opinions have reiterated that the UCC is still a guide for determining whether the on-sale bar has been triggered. *See, e.g.,* Lachs Indus. Inc. v. McKechnie Vehicle Components USA, Inc., 322 F.3d 1335, 1347 (Fed. Cir. 2003).

<sup>29</sup> The Federal Court for the District of Delaware consulted several contract treatises including the Restatement (Second) of Contracts and Williston on Contracts to find a definition of offer for sale. *MLMC, Ltd. v. Airtouch Communications Inc.*, 215 F. Supp. 2d 464, 477 (D. Del. 2002), *appeal dismissed by* 54 Fed. Appx. 328 (Fed. Cir. 2002).

<sup>30</sup> *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1047 (Fed. Cir. 2001).

## A. Overview of Old Article 2

UCC Article 2 originates from a joint initiative between the National Council of Commissioners on Uniform State Laws (“NCCUSL”) and the ALI in the 1940s. The objective was to increase certainty and consistency in a growing national commercial system.<sup>31</sup> The UCC was intended to address a particular subset of contract law known as “sales law,” or the regulation of the exchange of goods for a price as between parties.<sup>32</sup> Sales law is a creation of statutory law, as opposed to common law, and for domestic sales transactions, the UCC is the primary source of domestic statutory law.<sup>33</sup> As a result of the UCC’s preeminence, Article 2 has been adopted and enacted with some modifications by every state except Louisiana.<sup>34</sup> Additionally, the District of Columbia and the Virgin Islands have also enacted the UCC in their statutory regimes.<sup>35</sup>

UCC Article 2 applies to sales or “transactions in goods,”<sup>36</sup> and its rules are based upon a general survey of statutory law and sales practices.<sup>37</sup> However, Article 2 does not attempt to displace all prior sales concepts.<sup>38</sup> Instead, remnants of the common law rules can be found in specific provisions of Article 2.<sup>39</sup> Generally, Article 2 expands the concept of a contract from traditional

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<sup>31</sup> See CLAYTON P. GILLETTE & STEVEN D. WALT, *SALES LAW: DOMESTIC AND INTERNATIONAL 1* (Rev’d ed. 2002); see also Peter B. Maggs, *The Effect of Proposed Amendments to Uniform Commercial Code Article 2*, at <http://home.law.uiuc.edu/~pmaggs/ucc.htm> (last visited Jan. 28, 2004) (on file with the North Carolina Journal of Law & Technology).

<sup>32</sup> See GILLETTE & WALT, *supra* note 31, at 1.

<sup>33</sup> *Id.*

<sup>34</sup> *Id.* Links to the versions of UCC Article 2 as adopted by the various states are available online. See Legal Information Institute, Uniform Commercial Code Locator, at <http://www.law.cornell.edu/uniform/ucc.html#a2> (Mar. 24, 2003) [hereinafter UCC Locator] (on file with the North Carolina Journal of Law & Technology).

<sup>35</sup> See GILLETTE & WALT, *supra* note 31, at 1; see also UCC Locator.

<sup>36</sup> See U.C.C. § 2-201 (2003).

<sup>37</sup> See JAMES J. WHITE & ROBERT S. SUMMERS, *UNIFORM COMMERCIAL CODE* § 1 (5th ed. 2000).

<sup>38</sup> See GILLETTE & WALT, *supra* note 31, at 54–55.

<sup>39</sup> See *id.* at 54.



common law notions.<sup>40</sup> The crucial provision of Article 2 is § 2-204, which governs the formation of contracts. Under § 2-204, a contract for the sale of goods may be formed in any way that indicates the parties' intent to form a contract.<sup>41</sup> Thus, conduct of the two parties may be sufficient to form a contract, as opposed to the common law requirement of a formal exchange of offer and acceptance.<sup>42</sup> Allowing the conduct of the parties to serve as a formative instrument relaxes the formality of forming a contract by focusing more on the agreement than the actual offer and acceptance.<sup>43</sup>

Article 2 also relaxes the requirements for formation<sup>44</sup> by allowing a written instrument to "indicate" that a contract exists even if the terms are incomplete<sup>45</sup> and by loosening the requirements for a proper acceptance of an offer.<sup>46</sup> The drafters of Article 2 relaxed these requirements because it was believed that

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<sup>40</sup> See WHITE & SUMMERS, *supra* note 37, §§ 1-2. The UCC allows the use of common law principles to supplement the UCC's provisions. See U.C.C. § 1-103(b). However, such common law principles may not "supplant" the provisions of the UCC unless otherwise indicated by a particular provision. See U.C.C. § 1-103 cmt. 2. The ultimate effect is that common law rules that are different from the UCC's model are superceded while common law rules that are consistent with the UCC supplement the UCC. This can be problematic, because often questions arise regarding which common law rules are displaced and which will supplement. See GILLETTE & WALT, *supra* note 31, at 46.

<sup>41</sup> U.C.C. § 2-204(a)(1) ("A contract for sale of goods may be made in any manner sufficient to show agreement, including conduct by both parties which recognizes the existence of such a contract.").

<sup>42</sup> See *id.*

<sup>43</sup> See GILLETTE & WALT, *supra* note 31, at 47.

<sup>44</sup> See WHITE & SUMMERS, *supra* note 37, §§ 1-2.

<sup>45</sup> See U.C.C. § 2-201(1) ("[A] contract for the sale of goods . . . is not enforceable . . . unless there is some writing sufficient to indicate that a contract for sale has been made . . . . A writing is not insufficient because it omits or incorrectly states a term agreed upon.").

<sup>46</sup> See U.C.C. § 2-206(1)(a) ("[A]n offer to make a contract shall be construed as inviting acceptance in any manner and by any medium reasonable in the circumstances."); see also U.C.C. § 2-207 ("A definite and seasonable expression of acceptance or a written confirmation which is sent within a reasonable time operates as an acceptance even though it states terms additional to or different from those offered or agreed upon, unless acceptance is expressly made conditional on assent to the additional or different terms.").

“commercial parties were in a better position than judges or legislators to determine socially desirable commercial arrangements.”<sup>47</sup> As a result, Article 2 reflects private rules and practices that developed between merchants.<sup>48</sup> The drafters also intended for courts to construe the provisions of Article 2 liberally so that courts might accommodate changes in commercial practices as they evolve over time.<sup>49</sup> Relaxing the formation requirements allows the UCC to keep pace with commercial practices and eases the process of bargaining for the sale of goods. However, it also makes Article 2 difficult to apply to issues that generally surround on-sale bar cases because of the inherent required certainty that is necessary when determining exactly if and when an offer for sale has been made.

## B. New Article 2

Revised Article 2 was first approved by the NCCUSL in late summer 2002 and was approved by the ALI at its 80<sup>th</sup> Annual Meeting in May 2003.<sup>50</sup> The amendments are the culmination of an effort that began in the early 1980s<sup>51</sup> and were intended to “accommodate electronic commerce and to reflect development of business practices, changes in other law and interpretive difficulties of practical significance.”<sup>52</sup>

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<sup>47</sup> GILLETTE & WALT, *supra* note 31, at 1.

<sup>48</sup> *Id.*

<sup>49</sup> *Id.* at 3.

<sup>50</sup> See NATIONAL CONFERENCE OF COMMISSIONERS ON UNIFORM STATE LAWS, 2003 AMENDMENTS: UNIFORM COMMERCIAL CODE ARTICLE 2—SALES: A SUMMARY, 1 (2004) [hereinafter NCCUSL Summary].

<sup>51</sup> *Id.*

<sup>52</sup> Uniform Law Commissioners, *supra* note 7. The drafters of amended Article 2 explored a number of options for achieving the goal of an updated version. Initial considerations included integrating Article 2 into an article having a scope much broader than simply the sale of goods. Other issues regarding the substantive changes were also addressed, despite the fact that Article 2 was widely regarded as a very useful tool. Eventually, only “discrete amendments” to particular sections that would address modern commercial sales issues were chosen as the most appropriate course of action. See NCCUSL Summary, *supra* note 50, at 1.

The intent of the amendments was to allow “basic Article 2 [to] remain sacrosanct”<sup>53</sup> while updating Article 2 into a uniform code that remains applicable to modern business practices.<sup>54</sup> Amendments to Article 2 with regard to electronic commerce include the replacement of the term “writing” with “record” and the use of “new [definitional] terms [such as] ‘electronic,’ ‘electronic agent,’ and ‘electronic record.’”<sup>55</sup> Additionally, amendments to § 2-204 included changes to account for sales and interactions between “electronic agents or the interaction of an individual and an electronic agent.”<sup>56</sup> New § 2-211 provides that an electronic form of a “record, or signature may not be denied legal effect or enforceability solely because it is electronic in form.”<sup>57</sup> The intent behind new § 2-211 is to “eliminate the element of medium as a reason to deny enforceability to a record, signature or contract.”<sup>58</sup> Additionally, new § 2-212 establishes that an electronic signature is attributable to a person, and new § 2-213 states “if receipt of an electronic communication has legal effect, the effect is not changed merely because no individual is aware of the receipt.”<sup>59</sup> Although the new version of Article 2 has not yet been adopted by any state,<sup>60</sup> as the revisions gain broader acceptance the changes to Article 2 may have a significant impact upon determining the critical date under § 102(b) since electronic

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<sup>53</sup> NCCUSL Summary, *supra* note 50, at 1.

<sup>54</sup> See NATIONAL CONFERENCE OF COMMISSIONERS ON UNIFORM STATE LAWS, PREFATORY NOTE, AMENDMENT TO UCC ARTICLE 2, 1 (2003) [hereinafter NCCUSL Prefatory Note].

<sup>55</sup> *Id.*

<sup>56</sup> *Id.* Such changes are intended to accommodate purchases made from online catalogues and the like.

<sup>57</sup> C. ROBERT BEATTIE, MINNESOTA STATE BAR ASSOCIATION, THE PROPOSED AMENDMENTS TO UCC ARTICLE 2, 9 (2003) at <http://www2.mnbar.org/sections/business-law/ucc-handouts.pdf> (on file with the North Carolina Journal of Law & Technology); see also NCCUSL Prefatory Note, *supra* note 54, at 1.

<sup>58</sup> BEATIE, *supra* note 57, at 10.

<sup>59</sup> NCCUSL Prefatory Note, *supra* note 54, at 1–2. Such a change can be interpreted to mean that the time an e-mail is received into an e-mail client’s “inbox” will serve as the time of receipt, even if the recipient has not yet opened or is unaware of the e-mail.

<sup>60</sup> See UCC Locator, *supra* note 34. None of the versions of the UCC that have been adopted by the States reflect the new amendments to Article 2. *Id.*

transmissions and communications are now on par with traditional written correspondence.

#### IV. Enter the CISG

The CISG was the result of a sixty-year effort by various international organizations to develop a single uniform convention to govern the international sale of goods.<sup>61</sup> After years of predecessor conventions and treaties, the CISG was finalized in April 1980 and became effective on January 1, 1988, as a “self-executing Convention.”<sup>62</sup> Generally, the CISG governs contracts for the sale of goods, and is applicable when the contract is made between parties who have different states as their respective places of business.<sup>63</sup> The CISG does not specifically define the terms “contract” or “goods,” but other provisions within the CISG implicitly define the terms.<sup>64</sup> As of the time of publication of this

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<sup>61</sup> See PETER SCHLECHTRIEM, COMMENTARY ON THE UN CONVENTION ON THE INTERNATIONAL SALE OF GOODS (CISG) 1 (Gregory Thomas, trans., Clarendon Press, 2d ed. 1998).

<sup>62</sup> *Id.* at 2–3. A self-executing convention or treaty is an instrument that does not require an action by a state’s legislative body to give the instrument the power to bind the state under the provisions of the instrument. Such action would be codification of the treaty or conventions provisions into the state’s statutory regime. See BARRY E. CARTER, ET AL., INTERNATIONAL LAW 168–69 (4th ed. 2003) (citing *Foster v. Neilson*, 27 U.S. (2 Pet.) 253, 314 (1829)).

<sup>63</sup> See CISG, *supra* note 8, art. 1(1); see also SCHLECHTRIEM, *supra* note 61, at 21 ¶7. It is important to note that the CISG governs only when the places of business for both parties are in contracting states. Contracting states are only those states that have ratified or acceded to the CISG. Furthermore, a contracting state may have made declarations that limit or render inapplicable some provisions of the CISG. See *id.* at 25 ¶32.

<sup>64</sup> While the CISG does not explicitly define the term “contract,” its meaning can be inferred from the terms of Article 30, which defines the obligations of the seller, and Article 53, which defines the obligations of the buyer. Under these provisions a contract for sale requires one party to deliver goods, while another party is required to pay for the goods and “co-operate in the manner required by the contract.” SCHLECHTRIEM, *supra* note 61, at 22 ¶14. Goods under the CISG are considered only “moveable, tangible objects.” *Id.* at 23 ¶20. Article 2 provides an exclusionary rule, enumerating items that the CISG does not address. See CISG, *supra* note 8, art. 2.

article, sixty-two countries including the United States were party to the CISG.<sup>65</sup>

The CISG closely resembles the UCC in a number of respects, but the documents are also different in significant ways. The CISG is organized into four parts, with the second part dealing specifically with the formation of contracts.<sup>66</sup> CISG Articles 14 through 24 establish contract formation rules in accord with “‘traditional theory,’ using ‘offer’ and ‘acceptance’ as the elements through which agreement between the parties is created.”<sup>67</sup> The concepts of offer and acceptance are “ideas common to all legal systems,”<sup>68</sup> including the UCC. But the CISG also allows for formation absent offer and acceptance, since Article 9(1) allows incorporation of the practices that parties have adopted in their own courses of business.<sup>69</sup> As a result, the business practices of the parties may operate to form a contract for the sale of goods even if the traditional standards of offer and acceptance are not used. However, for such practices to bind the parties to an agreement there must “be an implied agreement that a usage will be binding on the parties.”<sup>70</sup> Two additional conditions surround such practices, the first being that the practices must be the kind “of which the parties knew or ought to have known,” and it must also be a practice “which in international trade is widely known to,

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<sup>65</sup> See CISG: Table of Contracting States, at <http://www.cisg.law.pace.edu/cisg/countries/cntries.html> (Feb. 20, 2004) (on file with the North Carolina Journal of Law & Technology).

<sup>66</sup> Part I deals with the scope of the CISG and provides general rules, Part III addresses the “substantive rules of the sales contract,” providing for remedies and obligations of the parties, and Part IV addresses the “final public international law provisions.” SCHLECHTRIEM, *supra* note 61, at 3. Part II is comprised of Articles 14 through 24.

<sup>67</sup> SCHLECHTRIEM, *supra* note 61, at 99 ¶2.

<sup>68</sup> See *id.*

<sup>69</sup> CISG, *supra* note 8, art. 9(1) (“The parties are bound by any usage to which they have agreed and by any practices which they have established between themselves.”).

<sup>70</sup> Guide to CISG Article 9, Secretariat Commentary, at <http://www.cisg.law.pace.edu/cisg/text/secomm/secomm-09.html> (last updated Mar. 19, 2004) (on file with the North Carolina Journal of Law & Technology).

and regularly observed by, parties to contracts of the type involved in the particular trade concerned.”<sup>71</sup>

Although the CISG might appear similar to the UCC by allowing formation absent express offer and acceptance, the UCC allows the use of any conduct by the parties that indicates an agreement or contract.<sup>72</sup> Under the CISG, the practices must be specifically followed or adopted by the parties in their normal course of business. While the UCC focuses more on the agreement between the parties to determine contract formation, the CISG places greater emphasis on the formal instruments of offer and acceptance.<sup>73</sup> In other words, the CISG tends to draw more narrow distinctions between contractual and non-contractual behavior than the UCC does.<sup>74</sup>

The articles that have the most bearing on the sale of goods are found in CISG Part II. Specifically, Article 14 provides that “a proposal for concluding a contract . . . constitutes an offer if it is sufficiently definite and indicates the intention of the offeror to be bound in case of acceptance.”<sup>75</sup> Article 14 goes on to provide the minimum elements for sufficiency, thus precisely and specifically outlining what shall be considered an offer for sale under the CISG.<sup>76</sup> Accordingly, any communication between parties that does not rise to the level of the minimum elements is not an offer under the CISG unless the parties have mutually adopted another practice for concluding a contract.<sup>77</sup> This differs from the UCC’s prescription that a contract may be formed “in any manner sufficient to show agreement,”<sup>78</sup> even if certain elements are omitted or left open.<sup>79</sup> Furthermore, the CISG’s focus on the

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<sup>71</sup> *Id.*

<sup>72</sup> U.C.C. §§ 2-204, 207(3) (2003) (providing that any conduct of the parties may be used to deduce a contract or agreement).

<sup>73</sup> See GILLETTE & WALT, *supra* note 31, at 47.

<sup>74</sup> See *id.*

<sup>75</sup> CISG, *supra* note 8, art. 14(1).

<sup>76</sup> See *id.* (“A proposal is sufficiently definite if it indicates the goods and expressly or implicitly fixes or makes provision for determining the quantity and the price [of the goods].”); see also SCHLECHTRIEM, *supra* note 61, at 105 ¶2.

<sup>77</sup> See CISG, *supra* note 8, art. 9(1).

<sup>78</sup> See U.C.C. § 2-204(1) (2003).

<sup>79</sup> See U.C.C. § 2-204(3).

contents, rather than form, of the communication allows the CISG to keep pace with evolving commercial practices without the need for review and revision, unlike the UCC, where specific amendments were introduced to address electronic transmission of contractual instruments.<sup>80</sup>

Perhaps the most significant deficiency in using Article 2 as a standard for determining the critical date under the on-sale bar is the fact that UCC Article 2 states “an agreement sufficient to constitute a contract may be found even though the moment of its making is undetermined.”<sup>81</sup> This provision serves to undermine the utility of the UCC in determining an offer for sale under § 102(b) because a court could find an offer for sale without being able to determine when the offer was made. Under § 102(b), identifying the time at which an inventor’s actions occur is equally as important as identifying the nature of those activities.<sup>82</sup>

The specificity with which the CISG has been drafted will eliminate this ambiguity. Article 14 requires that a proposal be “sufficiently definite.”<sup>83</sup> Article 15 specifically addresses when an offer for sale is effective, stating that the offer is effective when received by the offeree.<sup>84</sup> Thus, Article 14 and Article 15 work in concert to determine when an offer for sale has been made. The CISG’s specificity in this area would provide far better utility and guidance to the Federal Circuit in determining the critical date for the on-sale bar.

While the revised Article 2 has been amended to accommodate developing commercial practices such as the use of email and other forms of electronic commerce,<sup>85</sup> the CISG has not

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<sup>80</sup> Compare CISG, *supra* note 8, art. 14(1), with BEATTY, *supra* note 57, at 9.

<sup>81</sup> See U.C.C. § 2-204(2).

<sup>82</sup> See 35 U.S.C. § 102(b) (2004). Section 102(b) addresses both an inventor’s activities and the time at which those activities occur, indicating that both components are equally significant in establishing the critical date for the on-sale bar. *Id.*

<sup>83</sup> CISG, *supra* note 8, art. 14(1).

<sup>84</sup> CISG, *supra* note 8, art. 15(1) (“An offer becomes effective when it reaches the offeree.”).

<sup>85</sup> See NCCUSL Summary, *supra* note 50, at 1.

been amended in a similar fashion.<sup>86</sup> Commentators have lamented that the fact the CISG was drafted over twenty years ago may render it a hindrance to commercial activities in the modern commercial environment.<sup>87</sup> Despite its apparent obsolescence, the CISG addressed the commercial state of the art at the time it was drafted. Specifically, Article 13 of the CISG allows for a telegram or telex to suffice as a "writing."<sup>88</sup> The CISG does not specifically address email or other emerging commercial practices, but commentators have noted that Article 13 should be read broadly so as to "include all electronic forms of communication."<sup>89</sup> Such an interpretation of Article 13 would assure that the CISG will remain relevant in the context of an international commercial system that increasingly relies on electronic communications.

The UCC attempts to reduce formalities involved in contract formation,<sup>90</sup> a proposition that may be helpful to parties contracting for the commercial sale of goods. But this standard creates more difficulty for both courts and the parties before the courts in precisely determining when a commercial offer for sale sufficient to implicate the on-sale bar has been made. In contrast, application of the CISG's more rigid formalities would eliminate a

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<sup>86</sup> The CISG could be amended, however the process for amending a multinational treaty can be fraught with complications. Parties to multinational treaties or agreements wishing to make amendments may do so by an agreement with certain other parties. Additionally, amendments or modifications may be made among all parties, so long as all parties to the original agreement are given the opportunity to participate in the amendment negotiations. Such requirements can render the amendment process a difficult and frustrating endeavor. See RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW § 334 (1987).

<sup>87</sup> See Siegfried Eiselen, *Electronic Commerce and the UN Convention on Contracts for the International Sale of Goods* (1980), 6 EDI LAW R. 21, 21 (1999), available at <http://cisg.law.pace.edu/cisg/biblio/eiselen1.html> (on file with the North Carolina Journal of Law & Technology).

<sup>88</sup> CISG, *supra* note 8, art. 13 ("For the purposes of this Convention 'writing' includes telegram or telex.").

<sup>89</sup> See Eiselen, *supra* note 87, at 36 ("A fax, e-mail or EDI message should be regarded as a writing where writing is required."). But see SCHLECHTRIEM, *supra* note 61, at 94 ¶2 (stating that in the author's opinion, electronic communications that can not printed in hard copy form will not constitute a "writing").

<sup>90</sup> See WHITE & SUMMERS, *supra* note 37, §§ 1-2.



great deal of uncertainty regarding whether an offer for sale has been made because if the offeror's communication does not contain the minimum elements, no offer can be found from the terms of the instrument.

## V. The Case for the CISG

In addition to the CISG's requirements of a higher level of precision when making an offer for sale, there are other compelling reasons why the CISG is a good option for the Federal Circuit to evaluate as a new standard for the § 102(b) on-sale bar.

### A. International Standards

Commentators have noted that recent developments have brought the United States' intellectual property law into closer conformity with international standards. Such commentators often refer to this trend as international harmonization.<sup>91</sup> There is some utility in international harmonization because the differences in the laws of the various nations often create difficulty. If the laws of one nation starkly contrast with the laws of its neighbors, the result is a "disharmony" that can create "trade barriers and friction at both the private and diplomatic level."<sup>92</sup> Efforts to bring U.S. intellectual property law into closer conformity with European and international standards have been met with a great deal of political resistance,<sup>93</sup> but incremental changes have been made.<sup>94</sup> These

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<sup>91</sup> "Harmonization" is a term that is frequently employed to describe the process of bringing standardization to the legal regimes of separate and distinct nations. See Robert W. Pritchard, *The Future is Now—The Case for Patent Harmonization*, 20 N.C. J. INT'L L. & COM. REG. 291, 291 n.1 (1995).

<sup>92</sup> Donald D. Chisum, *The Harmonization of International Patent Law*, 26 J. MARSHALL L. REV. 437, 437 (1993).

<sup>93</sup> See *id.*

<sup>94</sup> See *id.* International harmonization in the area of patent law has met a great deal of resistance. Scholars have argued that efforts to bring U.S. patent law into close conformity with international standards are merely a concession to corporations while placing small or individual inventors at a distinct disadvantage. Despite such contention, specific changes have been made in the area of patent law and include the extension of patent protection from a

changes signal an acknowledgement by Congress that incremental adjustment of United States patent law toward similarity with European and international laws has some domestic value. Furthermore, the recent emergence of a more global economy closely resembles the growth of the national economy that propelled the efforts to standardize sales law under the UCC in the 1940s.<sup>95</sup> In such an environment, it may be beneficial for the Federal Circuit to consider an international standard for commercial sales and contracts when evaluating the on-sale bar. Admittedly, applying the CISG to domestic patent cases may increase the complexity of the court's evaluation of an inventor's commercial activities. In a domestic case involving both on-sale bar and contract dispute issues, the inventor's commercial activities would be subject to scrutiny under the CISG for the patent issues as well as the UCC for the contractual issues.<sup>96</sup> While such redundancy might be viewed as inefficient and cumbersome, the trade-off might be worthwhile considering the formality that the CISG offers when examining commercial activities to determine if and precisely when an offer for sale has occurred.

## B. United States Ratification of the CISG

The United States has ratified the CISG, giving the CISG status as the preeminent instrument regarding the formation of international sales contracts. Ratification was completed on December 11, 1986, and the CISG entered into force on January 1,

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seventeen to twenty year term and the publication of patent applications eighteen months after the filing date, even if the patent has not yet issued. *Id.* Additionally, prior to 1999, patent applications were kept absolutely confidential until the patent issued. See 35 U.S.C. § 122 (1999) (amended by Consolidated Appropriations Act of 2000, Pub. L. No. 106-113, § 4502(a), 113 Stat. 1536 (1999)).

<sup>95</sup> See GILLETTE & WALT, *supra* note 31, at 1.

<sup>96</sup> This situation only exists in a domestic commercial environment, because the UCC governs domestic contracts. In an international commercial environment, the CISG governs contractual activities, and thus the redundancy does not exist.

1988.<sup>97</sup> Such action by the United States indicates that the CISG is the “supreme law of the land” with regard to the international sale of goods.<sup>98</sup> In the context of an increasingly global economy, the CISG already governs actions taken by domestic inventors when the inventor desires to sell her invention to a foreign purchaser. Accordingly, federal courts may find it useful to consider the CISG as an effective tool for determining whether an inventor’s actions also qualify as a commercial offer for sale under § 102(b) of the Patent Act.

### C. The CISG as a Better Standard Than the UCC

As the Federal Circuit stated in *Group One*, the UCC is a “useful, though not authoritative, source in determining the . . . meaning of the terms used by the parties [to an offer for sale].”<sup>99</sup> Such qualified language by the Federal Circuit may indicate that the UCC, while providing a standard, does not provide perfect guidance. The Federal Circuit’s concern that it is often difficult to determine “whether a set of interactions between parties constitutes a commercial offer for sale,” combined with its reluctance to prescribe a bright line rule for identifying an offer for sale, indicate that other authorities may be useful for addressing such questions of whether an offer has been made.<sup>100</sup> Indeed, the Federal Circuit conceded that because the UCC does not actually define the term “offer,” the common law and secondary sources must be consulted

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<sup>97</sup> 15 U.S.C.A. app. (2003). The Constitution of the United States outlines the proper form for ratification of a treaty, which requires action by the President, upon the consent of a super-majority of the Senate. *See* U.S. CONST. art. II, § 2, cl. 2 (“[The President] shall have Power, by and with the Advice and Consent of the Senate, to make Treaties, provided two thirds of the Senators present concur.”).

<sup>98</sup> *See* U.S. CONST. art. VI, § 1, cl. 2 (“The Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States shall be the supreme law of the Land.”).

<sup>99</sup> *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1047–48 (Fed. Cir. 2001).

<sup>100</sup> *Id.* at 1048.

to both define the term and determine whether an action by an inventor constitutes an offer.<sup>101</sup>

By contrast, the CISG is decidedly more precise in defining what constitutes a commercial offer for sale than the UCC.<sup>102</sup> While UCC Article 2 states that any actions “sufficient to show agreement, including conduct by both parties” may be considered when evaluating whether an offer and acceptance, the formative instruments of a contract, have been made,<sup>103</sup> the CISG places far more restrictive requirements on the parties’ actions and communications when concluding a contract. The CISG specifically requires that a “proposal” be “sufficiently definite and indicate[] the intention of the offeror to be bound in the case of acceptance.”<sup>104</sup> The CISG even specifies the requirements for sufficient definiteness, stating “a proposal is sufficiently definite if it indicates the goods and expressly or implicitly fixes or makes provisions for determining the quantity and the price [of the goods],”<sup>105</sup> and indicates that the offer is effective when received by the offeree.<sup>106</sup> Granted, the CISG does not explicitly define the term “offer,” but Article 14 implicitly indicates that when the requisite elements are present in a proposal for concluding a contract, the instrument will constitute an offer.<sup>107</sup> As a result, the specificity with which the CISG has been drafted may ease the difficulty in determining whether the actions of a party do indeed constitute an offer for sale that the Federal Circuit identified in *Group One*.

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<sup>101</sup> See *Linear Tech. Corp. v. Micrel, Inc.*, 275 F.3d 1040, 1050 (Fed. Cir. 2001) (“The UCC does not define ‘offer’ so we will look to the common law to guide our inquiry.”). The court goes on to cite the definitions of “offer” provided in various secondary sources. *Id.* (citing RESTATEMENT (SECOND) OF CONTRACTS § 24 (1981); 4 WILLISTON ON CONTRACTS § 13 (4th ed. 1990)).

<sup>102</sup> See CISG, *supra* note 8, art. 14(1); see also U.C.C. § 2-204 (2003).

<sup>103</sup> U.C.C. § 2-204(1).

<sup>104</sup> CISG, *supra* note 8, art. 14(1).

<sup>105</sup> *Id.*

<sup>106</sup> CISG, *supra* note 8, art. 15(1) (“An offer becomes effective when it reaches the offeree.”).

<sup>107</sup> CISG, *supra* note 8, art. 14(1).

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**VI. Conclusion**

As the Federal Circuit continues to struggle with the commercial offers for sale under § 102(b) of the Patent Act, it will continue to look to the guidelines established by *Pfaff*, *Group One*, and subsequent decisions. The Federal Circuit has indicated its support for the UCC as a “‘useful, though not authoritative, source in determining the ordinary commercial meaning of’ terms used by the parties,”<sup>108</sup> but the recent amendments to Article 2 include changes to sections that are particularly important to the formation of a contract, including offer for sale. As the new version of Article 2 gains broader acceptance, the Federal Circuit will encounter a dilemma. It will have to decide whether to use the new version of Article 2 as its guide or to continue to apply the current version. In light of this impending situation, and with consideration for the recent trend toward international harmonization of United States patent law, this would be a good time for the Federal Circuit to consider the United Nations Convention on Contracts for the International Sale of Goods as an additional tool for evaluating commercial offers for sale under § 102(b).

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<sup>108</sup> *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1047–48 (Fed. Cir. 2001) (quoting *Enercon GmbH v. Int’l Trade Comm’n*, 151 F.3d 1376, 1382 (Fed. Cir. 1998)).